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S E C R E T STATE 037478

E.O. 12958: DECL: 04/16/2034

TAGS: PARM PREL MNUC IR JA

SUBJECT: NIAG 9041: IRANIAN ENTITIES ASSOCIATED WITH
NUCLEAR PROGRAM SEEK JAPANESE-ORIGIN GENERATORS

Classified By: ISN A A/S C.S. ELIOT KANG,
REASONS 1.4 (B), (C), AND (D)

SUMMARY/BACKGROUND

¶1. (S) We have received information that Iranian entities with ties to Iran's missile program seek to procure Japanese-origin diesel generators, ostensibly for a planned light-water moderated nuclear reactor to be built near Darkhovin, Iran. While Iran is not prohibited from constructing light-water reactors under UN Security Council Resolution 1737, we believe the generators are probably for the proscribed heavy-water reactor at Arak, which is now under construction. Additionally, we cannot rule out a possible intent to apply these generators to gas centrifuge activities in Iran. The generators serve an important role as backup power supply at a gas centrifuge plant in the event of a loss of power supply from the grid.

¶2. (S) The customer for these generators is supposedly Iran's Surena Company. However, our information indicates that the actual buyer for this equipment is the Iranian firm ESNICO, a subsidiary of Iran's Novin Energy Co. and a sister company of Kalaye Electric Company (KEC). Both Novin Energy and KEC are involved with Iran's nuclear program and are designated under UN Security Council resolutions. Additionally, available information links ESNICO to the Iranian entity Modern Industries Technique Company (MITEC), which is responsible for building Iran's IR-40 heavy-water reactor. Such reactors are of proliferation concern due to their ability to produce plutonium. The generators in question are not controlled by the Nuclear Suppliers, Group. They are, however, on the U.S.-supplied gas centrifuge and petrochemical procurement watch lists provided to the NSG. The involvement of entities designated under UNSCRs for their involvement in Iran's nuclear activities raises proliferation concerns regarding this transfer.

ACTION REQUEST

¶3. (S//REL Japan) Post is requested to approach appropriate host-nation officials and request that they investigate and prevent this transfer. Post may draw from objectives and talking points/non-paper below.

OBJECTIVES

¶4. (S//REL Japan) Post should:

-- Encourage Japanese officials to investigate the transfer of Japanese-origin items to Iranian entities of proliferation concern, and take necessary steps to prevent the transfer.

-- Encourage Japanese officials to share with the USG the results of any investigation they may undertake regarding this transfer.

-- Highlight the fact that the Iranian entity involved in this transfer is owned or controlled by entities designated under UN Security Council Resolutions for their involvement

in Iran's nuclear program.

-- Emphasize that now is not the time for business as usual with Iran.

TALKING POINTS/NON-PAPER

15. (S//REL Japan) Begin talking points/non-paper:

-- In the spirit of our nonproliferation cooperation, we would like to share with you information we have received regarding efforts by an Iranian company to procure diesel generators, ostensibly for construction of a 360-megawatt light-water reactor, from Japan's Mitsubishi Heavy Industry.

-- The customer for these generators is supposedly Iran's Surena Company. However, our information indicates that the buyer of this equipment is the Iranian firm ESNICO, which is a subsidiary of (and therefore owned and controlled by) Iran's Novin Energy and a sister company of Kalaye Electric Company. Both entities are owned by the Atomic Energy Organization of Iran and are involved with Iran's nuclear program and are designated for this involvement under UN Security Council Resolutions--Kalaye Electric under UNSCR 1737 and Novin Energy under UNSCR 1747.

-- According to our information, ESNICO is the exclusive supplier of equipment for a proposed 360-megawatt light-water nuclear power plant being planned for construction near Darkhovin, Iran. However, our information suggests that ESNICO has, in the past, been linked to the Iranian entity Modern Industries Technique Company (MITEC), which is responsible for building Iran's IR-40 heavy-water reactor, which is currently under construction near Arak.

-- We understand that diesel generators typically are not controlled by the Nuclear Suppliers, Group. These items are included on the U.S. gas centrifuge and petrochemical procurement watch lists as catch all items, which we provided to all NSG members. However, based on ESNICO's involvement in this transaction, and its past affiliation with entities involved with Iran's efforts to build a heavy-water reactor, we cannot rule out the possibility that this equipment might be diverted to the IR-40 project. We believe the generators are being sought for the IR-40 reactor under construction and not for the IR-360 project, which is still in the early planning stages. Additionally, we also cannot rule out the possible application of such diesel generators as backup power supply for a gas centrifuge enrichment plant.

-- Moreover, any assistance given to Iranian entities that are owned or controlled by entities designated under UNSCRs carries an inherent risk of contributing to Iranian proliferation, and such nuclear cooperation at this time defeats the spirit of the UN Security Council resolutions.

-- Given the involvement of entities designated under two Chapter VII UN Security Council Resolutions, we urge your government to investigate this transfer and take all necessary measures to prevent it. We also encourage you to share with us the results of any investigation you may conduct.

END POINTS/NON-PAPER.

REPORTING REQUIREMENT

16. (U) Please report results of this effort within five business days of receipt of this cable.

POINT OF CONTACT

17. (U) Washington point of contact for follow-up and additional information is Mark Felipe, ISN/CPI, 202-647-5376,

felipem2@state.sgov.gov.

¶8. (U) Department thanks Post for its assistance. Please
slug all responses for EAP, ISN, and T.

CLINTON